

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



CHOWCHILLA-MADERA COUNTY FAIR ASSOCIATION
CHOWCHILLA-MADERA COUNTY FAIR
CHOWCHILLA, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #09-054
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

CHOWCHILLA-MADERA COUNTY FAIR ASSOCIATION
CHOWCHILLA-MADERA COUNTY FAIR
CHOWCHILLA, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Sophea Touch

Audit Chief
Assistant Audit Chief
Audit

AUDIT REPORT NUMBER

#09-054

CHOWCHILLA-MADERA COUNTY FAIR ASSOCIATION
CHOWCHILLA-MADERA COUNTY FAIR
CHOWCHILLA, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Gary Chapman, President
Board of Directors
Chowchilla-Madera County Fair
1000 S. Third Street
Chowchilla, California 93610

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the Chowchilla-Madera County Fair Association, Chowchilla-Madera County Fair, Chowchilla, California, as of December 31, 2008 and 2007, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the Chowchilla-Madera County Fair's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chowchilla-Madera County Fair Association, Chowchilla-Madera County Fair, as of December 31, 2008 and 2007, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Chowchilla-Madera County Fair Association, Chowchilla-Madera County Fair has not presented the Management's Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #09-054, on the Chowchilla-Madera County Fair's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the Chowchilla-Madera County Fair as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in dark ink, appearing to read "Ron Shackelford", is positioned above the printed name.

Ron Shackelford, CPA
Chief, Audit Office

August 28, 2009

**MADERA COUNTY LIVESTOCK ASSOCIATION
CHOWCHILLA-MADERA COUNTY FAIR
CHOWCHILLA, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2008 and 2007**

	Account Number	2008	2007
ASSETS			
Cash & Cash Equivalents	111 - 119	\$ 256,063	\$ 245,424
Accounts Receivable, Net	131	14,614	21,888
Deferred Charges	143	-	-
Land and Land Improvements	191	33,347	33,347
Buildings and Improvements, Net	192	1,321,355	1,400,762
Photovoltaic, Net	194	647,903	-
TOTAL ASSETS		<u>2,273,282</u>	<u>1,701,421</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable	212	21,678	17,947
Tri-General Credit Line	215	68,014	62,215
Other Liabilities & Current Portion of Long-Term L	213	7,608	1,417
Deferred Income	228	2,729	12,982
Long Term Debt - Photovoltaic	250	408,226	-
Compensated Absences Liability	245	5,355	4,657
Total Liabilities		<u>513,610</u>	<u>99,218</u>
Net Resources			
Reserve for Junior Livestock Auction	251	9,052	(2,240)
Net Resources - Operations	291	395,917	170,334
Net Resources - Capital Assets	291.1	1,354,702	1,434,109
Total Net Resources Available		<u>1,759,671</u>	<u>1,602,203</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 2,273,282</u>	<u>\$ 1,701,421</u>

**MADERA COUNTY LIVESTOCK ASSOCIATION
CHOWCHILLA-MADERA COUNTY FAIR
CHOWCHILLA, CALIFORNIA**

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
December 31, 2008 and 2007

	Account Number	2008	2007
REVENUE			
State Allocation	312	\$ 180,000	\$ 180,000
Capital Project Reimbursements	318	43,920	17,368
CCA Funds	319	246,510	-
Millennium Flex Funds	340	35,000	62,648
Admissions	410	55,079	66,692
Commercial Space	415	11,800	14,175
Carnival	421	25,120	21,120
Concessions	422	17,780	24,644
Exhibits	430	18,929	18,222
Attractions - Fairtime	460	500	425
Interim Attractions	460.9	40,395	53,954
Miscellaneous Fair	470	31,943	36,806
Misc. Non-Fair	470.5	5,498	2,258
JLA Revenue	476	33,272	38,759
Non-Fair Revenue	480	119,505	69,282
Prior Year Adjustment	490	7,887	(110)
Other Operating Revenue	495	9,213	12,800
Total Revenue		882,351	619,041
EXPENSES			
Administration	500	215,812	206,283
Maintenance and Operations	520	200,539	191,164
Publicity	540	8,006	10,596
Attendance	560	18,055	18,709
Miscellaneous Fair	570	4,328	3,825
JLA Expense	576	21,980	31,121
Premiums	580	16,846	17,505
Exhibits	630	17,082	19,593
Attractions - Fairtime	660	71,341	66,910
Prior Year Adjustments	800	(1,289)	(425,727)
Cash Over/Short from Ticket Sales	850	24	233
Depreciation Expense	900	104,421	42,941
Other Capital Expenditures, Reimbursable	945	47,738	65,015
Total Expenses		724,883	248,171
RESOURCES			
Net Change - Income / (Loss)		157,468	370,870
Resources Available, January 1		\$ 1,602,203	1,231,334
Resources Available, December 31		\$ 1,759,671	\$ 1,602,203

**MADERA COUNTY LIVESTOCK ASSOCIATION
CHOWCHILLA-MADERA COUNTY FAIR
CHOWCHILLA, CALIFORNIA**

STATEMENTS OF CASH FLOWS - REGULATORY BASIS
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ 157,468	\$ 370,870
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	7,274	318
(Increase) Decrease in Deferred Charges	-	3,550
Increase (Decrease) in Accounts Payable	3,732	(986)
Increase (Decrease) in Line of Credit	5,799	37,480
Increase (Decrease) in Payroll Taxes Payable	6,191	(3,221)
Increase (Decrease) in Deferred Income	(10,253)	(17,015)
Increase (Decrease) in Compensated Absence Liability	698	196
Total Adjustments	<u>13,441</u>	<u>20,322</u>
Net Cash Provided (Used) by Operating Activities	<u>170,909</u>	<u>391,192</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Land	-	(15,500)
(Increase) Decrease in Buildings & Improvements, Net	79,408	(376,290)
(Increase) Decrease in Photovoltaic Ne	<u>(647,903)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>(568,495)</u>	<u>(391,790)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Debt	<u>408,226</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>408,226</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	10,640	(598)
Cash at Beginning of Year	245,424	246,022
CASH AT END OF YEAR	<u><u>\$ 256,063</u></u>	<u><u>\$ 245,424</u></u>

**CHOWCHILLA-MADERA COUNTY FAIR ASSOCIATION
CHOWCHILLA-MADERA COUNTY FAIR
CHOWCHILLA, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Chowchilla-Madera County Fair Association was formed for the purpose of sponsoring, managing, and conducting the Chowchilla-Madera County Fair each year in Chowchilla, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the Chowchilla-Madera County Fair Association. The Chowchilla-Madera County Fair Association is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the Chowchilla-Madera County Fair Association to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the Chowchilla-Madera County Fair Association conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The Chowchilla-Madera County Fair Association's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the Chowchilla-Madera County Fair Association has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The Chowchilla-Madera County Fair Association's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Chowchilla-Madera County Fair Association is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The Chowchilla-Madera County Fair Association's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the Chowchilla-Madera County Fair Association approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the Chowchilla-Madera County Fair Association is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Inventories – Inventories, if any, consists primarily of souvenir items sold during fair time, and is stated at cost.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation.

Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over 30 years, and purchases of equipment are depreciated over five years. Costs of repair and maintenance are expensed as incurred by the Chowchilla-Madera County Fair Association. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. The costs of projects that have not been placed in service are recorded in Account #190, Construction-in-Progress, and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2

NEW ACCOUNTING STANDARDS

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, ("GASB Statement No. 45"). This statement establishes standards for the measurement, recognition, and display of postretirement benefits other than pensions expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The statement becomes effective for the District for periods beginning after December 15, 2007. Management has not determined the effect of GASB Statement No. 45 on the combined financial statements.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Receivables and Future Revenues*, ("GASB Statement No. 48"). GASB Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should not be reported as a sale, the revenue should be deferred and amortized,

except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This statement is effective for periods beginning after December 15, 2006. Adoption of this statement did not have a material impact on the combined financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, (“GASB Statement No. 49”). GASB Statement No. 49 requires governmental entities to report pollution remediation costs in their financial statements. It identifies five obligating events under which the government should estimate the expected obligations for pollution remediation. Under the standard, liabilities and expenses will be estimated using an “expected cash flows” measurement technique, which will be employed for the first time by governments. Further, the standard requires that governments disclose information about their pollution remediation obligations associated with clean-up efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements with periods beginning December 15, 2007, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. Management has not determined the effect of GASB Statement No. 49 on the combined financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, (GASB Statement No. 50”). GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (“OPEB”) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (“RSI”) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, (“GASB Statement No. 25”), and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, (“GASB Statement No. 27”) to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, (“GASB Statement No. 43”) and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB Statement No. 45”). GASB Statement No. 50 will be effective for financial statements with periods beginning after June 15, 2007. Management has not determined the effect of GASB Statement No. 50 on the combined financial statements.

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, (“GASB Statement No. 51”). GASB Statement No. 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). GASB Statement No. 51 will be effective for financial

statements with periods beginning after June 15, 2009. Management has not determined the effect of GASB Statement No. 51 on the combined financial statements.

NOTE 3 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the MCLA as of December 31:

	<u>2008</u>	<u>2007</u>
Petty Cash	\$ 100	\$ 100
Cash in Bank - Operating	11,955	15,801
Cash in Bank - Premium	0	(640)
Cash in Bank – LAIF, etc	240,402	228,392
Cash in Bank - JLA	3,607	1,770
Total Cash and Cash Equivalents	<u>\$ 256,074</u>	<u>\$ 245,424</u>

NOTE 4 ACCOUNTS RECEIVABLE

The MCLA is required to record an allowance for doubtful accounts based on estimates of collectability.

	<u>2008</u>	<u>2007</u>
Accounts Receivable - Trade	\$ 15,759	\$ 18,164
Accounts Receivable - JLA	1,506	5,507
Allowance for Doubtful Accounts	(2,652)	(1,783)
Accounts Receivable - Net	<u>\$ 14,614</u>	<u>\$ 21,888</u>

NOTE 5 PROPERTY AND EQUIPMENT

Buildings and improvements, and equipment at December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Building & Improvements	\$ 3,054,990	\$ 3,054,990
Less: Accumulated Depreciation	(1,733,635)	(1,654,228)
Building & Improvements - Net	<u>\$ 1,321,355</u>	<u>\$ 1,400,762</u>
Equipment	\$ 20,161	\$ 20,161
Less: Accumulated Depreciation	(20,161)	(20,161)
Equipment - Net	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 LINE OF CREDIT

The MCLA has an unsecured \$100,000 revolving line of credit. Interest is payable monthly at a rate of 3.5% added to the index as defined in the loan agreement. The line of credit is subject to semi-annual and annual renewal. At December 31, 2008, the outstanding balance totaled \$68,014.

NOTE 7 **LONG-TERM DEBT**

The Chowchilla-Madera County Fair Association has entered into a long-term loan agreement with California Construction Authority (CCA) to finance the Photovoltaic power-generating project on the fairgrounds. The terms of the agreement are as follows:

CCA Photovoltaic Loan:

Loan Amount	\$423,734
First Payment Date	July 1, 2008
Payment Amount	\$ 2,804
Duration of Loan	187 Months
Interest Rate	2.39%

Total Outstanding at 12/31/08	\$ 415,980
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Current Portion at 12/31/08	\$ 7,754
Long-Term Portion at 12/31/08	\$ 408,226

NOTE 8 **RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**CHOWCHILLA-MADERA COUNTY FAIR ASSOCIATION
CHOWCHILLA-MADERA COUNTY FAIR
CHOWCHILLA, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, Chowchilla-Madera County Fair Board of Directors
1	Chief Executive Officer, Chowchilla-Madera County Fair
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE
AUDIT OFFICE



CHOWCHILLA-MADERA COUNTY FAIR ASSOCIATION
CHOWCHILLA-MADERA COUNTY FAIR
CHOWCHILLA, CALIFORNIA

MANAGEMENT REPORT #09-054

YEAR ENDED DECEMBER 31, 2008

CHOWCHILLA-MADERA COUNTY FAIR ASSOCIATION
CHOWCHILLA-MADERA COUNTY FAIR
CHOWCHILLA, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2008

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Sophea Touch

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#09-054

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Gary Chapman, President
Board of Directors
Chowchilla-Madera County Fair
1000 S. Third Street
Chowchilla, California 93610

In planning and performing our audit of the financial statements of the Chowchilla-Madera County Fair Association, Chowchilla-Madera County Fair, Chowchilla, California, for the year ended December 31, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Chowchilla-Madera County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the Chowchilla-Madera County Fair's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the Chowchilla-Madera County Fair's assets.



The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the Chowchilla-Madera County Fair in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The Chowchilla-Madera County Fair's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the Chowchilla-Madera County Fair's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the Chowchilla-Madera County Fair and compliance with state laws and regulations, we identified two areas with a reportable condition that is considered a weakness in the Fair's operations: standard agreements, and independent contractors. We have provided two recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

REPORTABLE CONDITIONS

STANDARD AGREEMENTS

The Fair did not submit a list of prospective nonresident entertainers who will receive \$1,500 or more from the Fair to the Franchise Tax Board (FTB), Withhold at Source Unit. As a result, backup withholding taxes may not have been withheld when required. In addition, the Fair failed to withhold 7% from nonresident independent contractors. There was no evidence of a waiver or reduced withholding rate from the FTB. This was a prior year finding.

Recommendation

1. *The Fair should submit a list of nonresident entertainers who will receive \$1,500 or more from the Fair to the Franchise Tax Board (FTB), Withhold at Source Unit. In addition, without a waiver or reduced withholding rate from the FTB, the Fair should withhold the required 7% from the payments made to a nonresident independent contractor.*

INDEPENDENT CONTRACTORS

The Fair did not always maintain a W-9 for each independent contractor as required by the Internal Revenue Service. Auditor noted instances of 1099's without contracts and an incomplete contract (no signatures by both parties).

The Fair did not always report independent contractors as required. The Employment Development Department (EDD) requires Form DE 542 to be filed within twenty (20) days of either making payments of \$600 or more, or entering into a contract for \$600 or more with an independent contractor in any calendar year, whichever is earlier. This information is used to assist state and county agencies in locating parents who are delinquent in their child support obligations.

Recommendation

2. *The Fair should ensure that DE 542, Report of Independent Contractors, is prepared and submitted to the EDD within 20 days of paying/contracting for \$600 or more in services as required by the EDD.*

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE



CHOWCHILLA-MADERA COUNTY FAIR

P.O. Box 597, Chowchilla, CA 93610 • (559) 665-3728
www.chowchillafair.org • FAX (559) 665-3720

California Department of Food and Agriculture
Audit Office
Ron Shackelford, CPA
1220 N Street, Room 344
Sacramento, CA 95814

November 10, 2009

This is the Chowchilla Madera County Fair's response to the audit findings sent to the fair. This response has been approved by the Board of Directors and duly noted in the minutes of the regular November meeting.

Reportable Findings:

1. Standard Agreements:

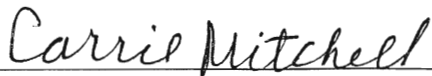
The Fair will be submitting a list annually to the Franchise Tax Board of all non-resident entertainers who receive \$1,500 or more. In addition, without a waiver or reduced withholding rate from the FTB, the will withhold the required 7% from the payments made to any non-residential independent contractor.

2. Independent Contractors:

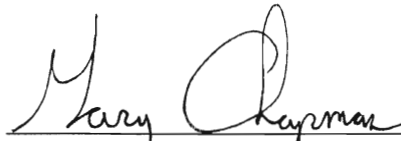
The Fair will be submitting the DE 542, Report of Independent Contractors to the EDD within 20 days of paying/contracting for \$600 or more in services as required by the EDD.

If you have any questions, please do not hesitate to contact me at the office 559.665.3728. Thank you.

Sincerely,



Carrie Mitchell, CEO


Gary Chapman, President

Cc: Division of Fairs & Expositions

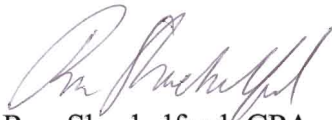
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the Chowchilla-Madera County Fair, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between August 17, 2009 and August 28, 2009. My staff met with management on August 26, 2009 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA
Chief, Audit Office

August 28, 2009

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, Chowchilla-Madera County Fair Board of Directors
1	Chief Executive Officer, Chowchilla-Madera County Fair
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office